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Poland

Sugar

Polish Reaction to EU Sugar Reforms

2005

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Report Highlights:
Polish farmers can live with the EU reforms targeted at sugar beet producers, mainly because of the increase in the phase out periods for prices and production quotas. But, farmers are extremely concerned that the reforms targeted at the processing industry will cause sugar plants, many of which are foreign-owned in Poland, to close down thus reducing demand for sugar beets. A drastic decline in beet processing capacity could render Poland a net sugar importer, although it otherwise would be fully capable of meeting its domestic sugar requirements.

Includes PSD Changes: No
Includes Trade Matrix: No
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Warsaw [PL1]
[PL]

According to Mr. Barnas, Chairman of the National Sugar Beet Producers Association, the lower beet prices are survivable, but the potential impact on the Polish sugar processing industry may not be. He expects that many Polish beet farmers will be able to remain in business assuming an average beet yield of 55 MT/ha and an18 percent sugar content. Farmers incapable of achieving these levels likely will be forced out. Over the last 10 years, the number of beet farmers in Poland has fallen dramatically, from 300,000 to 72,000. Continued concentration is acceptable to the industry, provided it is not too quick.

Another representative of the National Sugar Beet Producers Association estimates that beet farmers will only lose about 2 Euro/MT as a result of regime reforms. And, according to a major sugar market analyst, with lower labor costs and lower income expectations, Polish beet farmers should be in a better position to adjust to the reforms vis-à-vis farmers in some other EU countries.

But, farmers are worried that new incentives to remove excess processing capacity may lead to a draconian decline in sugar processing in Poland. Their fear is largely based on the fact that many sugar plants are foreign-owned. However, an industry economist notes that companies will likely close their least profitable operations, regardless of their location. Poland, with its low labor costs and stable, beet production, will not likely see a major change in processing facilities. An exception is the Polish Sugar Company, which accounts for 40 percent of local sugar production capacity. According to a company spokesman, the company requires significant capital to continue to modernize. It already has reduced its facilities from 27 to 18 and will need to close more plants. According to news reports, the Ministry of Agriculture is studying the possibility of special support for this company.

No surprise, sugar end users fully support the reforms. In products such as soft drinks and candies, sugar accounts for 30 to 50 percent of the cost of production. Less expensive sugar will permit Polish food processing companies to better compete, locally and in export markets, according to industry sources.